

CITY OF MANSFIELD
Mansfield, Louisiana

Annual Financial Statements
With Independent Auditors' Report

As of and For the Year Ended
December 31, 2004
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-27-05

CITY OF MANSFIELD

Mansfield, Louisiana

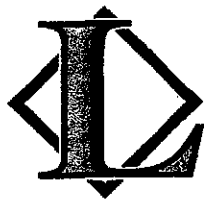
Annual Financial Statements
With Independent Auditors' Report
As of and For the Year Ended December 31, 2004
With Supplemental Information Schedules

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LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

Independent Auditors' Report

CITY OF MANSFIELD
Mansfield, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mansfield as of December 31, 2004, and for the year then ended, which collectively comprise the town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mansfield's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mansfield as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with U. S. generally accepted accounting principles.

As described in Note 1 to the basic financial statements, the City of Mansfield adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments* and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, as of July 1, 2002. This results in a change in the form and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2005, on our consideration of the City of Mansfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CITY OF MANSFIELD
Mansfield, Louisiana
Independent Auditors' Report
December 31, 2004

Management's discussion and analysis and the General Fund budgetary comparison schedules on pages 6 through 11 and 25, respectively, are not a required part of the basic financial statements. Management's discussion and analysis and the General Fund and Special Revenue Funds budgetary comparison schedules are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mansfield's basic financial statements. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Little & Associates, LLC

Monroe, Louisiana
June 24, 2005

REQUIRED SUPPLEMENTARY INFORMATION

PART I

CITY OF MANSFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR
ENDED DECEMBER 31, 2004

As Management of the City of Mansfield, we offer readers of the City of Mansfield's financial statements this narrative overview and analysis of the financial activities of the City of Mansfield as of and for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the City of Mansfield's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because the year ended December 31, 2004, was the first year of implementing the new reporting model, certain necessary comparative information for the year ended December 31, 2003, was not prepared. Considering the financial resources necessary to prepare the information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the City of Mansfield has elected to exclude the information in this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Mansfield's basic financial statements. The City of Mansfield's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad view of the City of Mansfield's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Mansfield's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Mansfield is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund financial statements. The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All of the

funds of the City of Mansfield can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mansfield maintains 1 individual governmental fund. Information as of and for the year ended December 31, 2004, is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The City of Mansfield adopts an annual appropriated budget for the general fund and the special revenue funds. A budgetary comparison statement is provided for the major funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14 and 17 of this report.

Proprietary funds. The Town's maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses its enterprise funds to account for its sewer and water and solid waste operations.

Proprietary funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements. The proprietary funds financial statements provide separate information for all of the enterprise funds which are considered to be major funds of the Town.

The proprietary fund financial statements can be found on pages 18 – 22.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 – 40 of this report.

Supplemental information. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the City of Mansfield compliance with budgets for its major funds. Also, other supplemental information schedules are included in the report.

FINANCIAL HIGHLIGHTS

- The net assets of the City of Mansfield were more than its liabilities at December 31, 2004 by \$16,574.

- The City of Mansfield's net assets increased by \$75,805 as a result of this year's operations. While net assets of the governmental activities increased by \$25,315 (4%).
- At December 31, 2004, the City of Mansfield's governmental funds reported total ending fund balances of \$964,777, a decrease of \$113,649, including expenditures for capital assets. The entire balance is available for spending at the City of Mansfield's discretion.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Current assets | \$ 785,795 | \$ 770,735 | \$ 1,556,530 |
| Prepaid expenses | - | - | - |
| Cash and cash equivalents - restricted | - | 637,229 | 637,229 |
| Investments - restricted | 206,178 | 1,028,940 | 1,235,118 |
| Capital assets (net of accumulated depreciation) | 605,002 | 2,907,776 | 3,512,778 |
| Other assets | - | 109,570 | 109,570 |
| Total Assets | <u>\$ 1,596,975</u> | <u>\$ 5,454,250</u> | <u>\$ 6,413,996</u> |
| LIABILITIES | | | |
| Accounts, salaries, and other payables | \$ 27,196 | \$ 156,515 | \$ 183,711 |
| Long-term liabilities: | | | |
| Due within one year | 50,000 | 164,000 | 214,000 |
| Due in more than one year | 810,000 | 1,991,000 | 2,801,000 |
| Total Liabilities | <u>887,196</u> | <u>2,311,515</u> | <u>3,198,711</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | (254,998) | 752,776 | 497,778 |
| Restricted | 207,206 | 528,570 | 735,776 |
| Unrestricted | <u>757,571</u> | <u>1,224,160</u> | <u>1,981,731</u> |
| TOTAL NET ASSETS | <u>\$ 709,779</u> | <u>\$ 2,505,506</u> | <u>\$ 3,215,285</u> |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, assets of the City of Mansfield exceeded liabilities by \$3,215,285. A significant portion (15%) of the City of Mansfield's net assets reflects its investments in capital assets (e.g., land, buildings, and improvements and equipments, net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources.

CHANGE IN NET ASSETS

| | Governmental Activities | Business-Type Activities | Total |
|------------------------------------|----------------------------|-----------------------------|--------------|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 26,051 | \$ 1,602,825 | \$ 1,628,876 |
| Operating Grants and Contributions | 169,111 | - | 169,111 |
| Capital Grants and Contributions | 47,211 | - | 47,211 |
| General Revenues: | | | |
| Property Taxes | 309,262 | - | 309,262 |
| Sales Taxes | 731,762 | - | 731,762 |
| Grants and contributions | 190,287 | - | 190,287 |
| Fines and forfeitures | 155,259 | - | 155,259 |
| Licenses and permits | 496,694 | - | 496,694 |
| Interest and investment earnings | 12,705 | 23,542 | 36,247 |
| Miscellaneous | 42,227 | - | 42,227 |
| Total Revenues | 2,180,569 | 1,626,367 | 3,806,936 |
| Expenses: | | | |
| General government: | | | |
| Judicial | 18,728 | - | 18,728 |
| Debt Service | 46,318 | - | 46,318 |
| Executive | 211,769 | - | 211,769 |
| Finance and administrative | 471,975 | - | 471,975 |
| Other general government | 122,786 | - | 122,786 |
| Public safety | 836,940 | - | 836,940 |
| Public works | 415,721 | 1,575,877 | 1,991,598 |
| Culture and recreation | 31,017 | - | 31,017 |
| Total Expenses | 2,155,254 | 1,575,877 | 3,731,131 |
| Excess revenues over expenses | 25,315 | 50,490 | 75,805 |
| Net Assets January 1, 2004 | 684,464 | 2,455,016 | 3,139,480 |
| Net Assets December 31, 2004 | \$ 709,779 | \$ 2,505,506 | \$ 3,215,285 |

Governmental activities. The most significant revenues of the governmental activities are general taxes (49%), which include ad valorem taxes (15%), and sales taxes (34%).

General government expenses are the most significant (36%) of all governmental activities expenses, followed by public safety expenses (33%). Depreciation expense is included in these amounts.

Governmental activities revenues decreased \$208,086 in the current year.

Governmental activities expenses decreased by \$219,166 in the current year. The decrease was primarily attributable to a decrease in street department expenses (Public Works).

Business-type activities. Business-type activities increased the City's net assets by \$50,490. Key elements of this change are as follows:

Charges for services increased due to a water rate increase. However, program expenses increased by \$97,834. The increase was primarily attributable to the water fund.

FINANCIAL ANALYSIS OF THE CITY OF MANSFIELD'S FUNDS

As noted earlier, the City of Mansfield uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental funds. As of December 31, 2004, combined governmental fund balances of \$964,777 remained relatively stable as compared to 2003 by showing a decrease of \$113,649 from December 31, 2003. The entire fund balance is unreserved, which is considered available for appropriation.

Governmental funds revenues and expenses decreased slightly from the prior year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water Fund's net assets increased by \$111,343 in the current year. There were no significant or unusual changes other than water rate increase noted above.

The Sewer Fund's net assets decreased by \$60,853 in the current year. The decrease was approximately \$68,000 less than the decrease in net assets in 2003.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fund balance in the original budget remained unchanged throughout the year.

General Fund revenues were less than final amended budgeted revenues by \$48,090. Final amended budgeted amount expenses exceeded General Fund expenses by \$128,227.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City of Mansfield's investment in capital assets for its governmental activities and business-type activities as of December 31, 2004, amounts to \$605,002 (net of accumulated depreciation) and \$2,907,776 (net of accumulated depreciation), respectively. This investment includes land, buildings, plant, improvements, and furniture and equipment. A summary of the capital assets of the City is provided as follows:

| | Governmental Activities | Business-Type Activities | Total |
|--------------------------------|----------------------------|-----------------------------|---------------------|
| Land | \$ 103,904 | \$ 70,361 | \$ 174,265 |
| Buildings & Plant | 522,216 | 4,332,923 | 4,855,139 |
| Furniture & Equipment | 172,021 | 3,915,859 | 4,087,880 |
| Improvements | 951,464 | 2,907,635 | 3,859,099 |
| Vehicles | 421,397 | - | 421,397 |
| Construction-in-Progress | - | 18,745 | 18,745 |
| | | | - |
| Less: Accumulated Depreciation | (1,566,000) | (8,337,747) | (9,903,747) |
| Total Net Capital Assets | <u>\$ 605,002</u> | <u>\$ 2,907,776</u> | <u>\$ 3,512,778</u> |

Long-term debt. At the end of the fiscal year, the City of Mansfield had total long-term debt of \$3,015,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Mansfield's budgeted revenues and expenditures for 2005 are comparable to 2004's actual revenues and expenditures. The City of Mansfield does not anticipate any changes in its day-to-day operations that will have a material effect on its 2005 budget or operations.

The City of Mansfield has received a \$20,000 grant from the State of Louisiana for equipment for the Mansfield Fire Department.

The City of Mansfield has been awarded a grant from LCDBG in the amount of \$586,100 in 2005. This grant is to enable the City to upgrade existing 4 inch water mains to 6 inch water mains in areas serving low to moderate income households in order to provide adequate fire flow. The grant will also enable the City to repair the interior and exterior of the existing water storage tank. These improvements will be made over a period of 3 years.

The City of Mansfield has also been approved to receive a USDA-Rural Development grant for the purchase of new police vehicles and police vehicle equipment in the gross amount of \$49,600. This amount includes a City match of 55% or \$22,356.

The City of Mansfield does not anticipate implementing any utility rate increases during 2005.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Mansfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Melony McCarty, Accounting, P. O. Box 773, Mansfield, Louisiana 71052.

BASIC FINANCIAL STATEMENTS

CITY OF MANSFIELD
Mansfield, Louisiana

Statement of Net Assets
December 31, 2004

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 347,380 | \$ 502,173 | \$ 849,553 |
| Investments | 275,244 | 72,040 | 347,284 |
| Accounts receivables | 163,171 | 196,522 | 359,693 |
| Prepaid expenses | - | - | - |
| Cash and cash equivalents - restricted | - | 637,229 | 637,229 |
| Investments - restricted | 206,178 | 391,711 | 597,889 |
| Bond issuance cost | - | 109,570 | 109,570 |
| Capital assets (net of accumulated depreciation): | 605,002 | 2,907,776 | 3,512,778 |
| Total Assets | \$ 1,596,975 | \$ 4,817,021 | \$ 6,413,996 |
| LIABILITIES | | | |
| Accounts, salaries, and other payables | \$ 27,196 | \$ 11,658 | \$ 38,854 |
| Contract payable | - | - | - |
| Retainage payable | - | - | - |
| Current liabilities payable from restricted assets - water meter deposits | - | 144,857 | 144,857 |
| Long-term liabilities: | | | |
| Due within one year | 50,000 | 164,000 | 214,000 |
| Due in more than one year | 810,000 | 1,991,000 | 2,801,000 |
| Total Liabilities | 887,196 | 2,311,515 | 3,198,711 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | (254,998) | 752,776 | 497,778 |
| Restricted for: | | | |
| Capital projects | 207,206 | - | 207,206 |
| Debt Service | - | 528,570 | 528,570 |
| Unrestricted | 757,571 | 1,224,160 | 1,981,731 |
| TOTAL NET ASSETS | \$ 709,779 | \$ 2,505,506 | \$ 3,215,285 |

The notes to the financial statements are an integral part of this statement.

Statement B

CITY OF MANSFIELD
Mansfield, Louisiana

Statement of Activities
For the Year Ended December 31, 2004

| | PROGRAM REVENUES | | | Net (Expense) Revenue and Changes in Net Assets | |
|--|------------------|-------------------------|--|--|--------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | Total |
| Functions/Programs | | | | | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government: | | | | | |
| Judicial | \$ 18,728 | \$ - | \$ - | \$ - | \$ (18,728) |
| Debt Service | 46,318 | - | - | - | (46,318) |
| Executive | 211,769 | - | - | - | (211,769) |
| Finance and administrative | 471,975 | 26,051 | - | - | (445,924) |
| Other general government | 122,786 | - | 95,050 | - | (27,736) |
| Public safety | 836,940 | - | 74,061 | - | (762,879) |
| Public works | 415,721 | - | - | - | (415,721) |
| Culture and recreation | 31,017 | - | - | 47,211 | 16,194 |
| Total governmental activities | 2,155,254 | 26,051 | 169,111 | 47,211 | (1,912,881) |
| Business-type activities: | | | | | |
| Sewerfund | 478,693 | 410,592 | - | - | (68,101) |
| Water fund | 1,097,184 | 1,159,073 | - | 33,160 | 95,049 |
| Total business-type activities | 1,575,877 | 1,569,665 | - | 33,160 | 26,948 |
| Total primary government | \$ 3,731,131 | \$ 1,595,716 | \$ 169,111 | \$ 80,371 | (1,885,933) |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | | 309,262 |
| Sales taxes | | | | | 731,762 |
| Grants and contributions not restricted to specific programs | | | | | 190,287 |
| Fines and forfeitures | | | | | 155,259 |
| Licenses and permits | | | | | 496,694 |
| Interest and investment earnings | | | | | 23,542 |
| Miscellaneous | | | | | 42,227 |
| Total general revenues | | | | | 1,961,738 |
| Excess of revenues over expenses | | | | | 75,805 |
| Net assets - January 1, 2004 | | | | | 3,139,480 |
| Net assets - December 31, 2004 | | | | | \$ 3,215,285 |

The notes to the financial statements are an integral part of this statement.

CITY OF MANSFIELD
Mansfield, Louisiana

GOVERNMENTAL FUNDS
Balance Sheet
For the Year Ended December 31, 2004

| | GENERAL FUND | NON MAJOR PROGRAMS | TOTAL |
|---|-----------------|-----------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 343,277 | \$ 4,103 | \$ 347,380 |
| Investments | 275,244 | - | 275,244 |
| Receivables, net | 163,171 | - | 163,171 |
| Interfund receivables | - | 1,400 | 1,400 |
| Restricted Assets: | | | |
| Investments | 206,178 | - | 206,178 |
| Total Assets | \$ 987,870 | \$ 5,503 | \$ 993,373 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts, salaries, and other payables | \$ 22,721 | \$ 4,475 | \$ 27,196 |
| Interfund payables | 1,400 | - | 1,400 |
| Total Liabilities | 24,121 | 4,475 | 28,596 |
| Fund balances: | | | |
| Reserved for capital projects | 206,178 | 1,028 | 207,206 |
| Unreserved, undesignated, reported in: | | | |
| General fund | 757,571 | - | 757,571 |
| Total Fund Balances | 963,749 | 1,028 | 964,777 |
| Total Liabilities and Fund Balances | \$ 987,870 | \$ 5,503 | \$ 993,373 |

The notes to the financial statements are an integral part of this statement.

Statement D

CITY OF MANSFIELD
Mansfield, Louisiana

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
December 31, 2004

| | | |
|---|------------------|-------------------|
| Total Fund Balances at December 31, 2004 - Governmental Funds | | \$ 964,777 |
| Cost of capital assets at December 31, 2004 | 2,171,003 | |
| Less - accumulated depreciation as of December 31, 2004: | | |
| Buildings and improvements | (1,131,446) | |
| Movable property | <u>(434,555)</u> | 605,002 |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| Long Term Debt | | (860,000) |
| Elimination of interfund assets and liabilities: | | |
| Due from other funds | 1,400 | |
| Due to other funds | <u>(1,400)</u> | <u>-</u> |
| Net Assets at December 31, 2004 | | <u>\$ 709,779</u> |

The notes to the financial statements are an integral part of this statement.

Statement E

CITY OF MANSFIELD
Mansfield, LouisianaGOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended December 31, 2004

| | GENERAL FUND | NON MAJOR PROGRAMS | TOTAL |
|--|-------------------|-----------------------|-------------------|
| REVENUES | | | |
| Taxes: | | | |
| Ad valorem | \$ 309,262 | \$ - | \$ 309,262 |
| Sales taxes | 731,762 | | 731,762 |
| Licenses and permits | 496,694 | | 496,694 |
| Fees, charges, and commissions | 26,051 | | 26,051 |
| Fines and forfeitures | 155,259 | | 155,259 |
| Intergovernmental: | | | |
| Federal Grants | | 90,000 | 90,000 |
| State Grants: | | | |
| Fire insurance rebate | 14,401 | | 14,401 |
| Supplemental pay | 58,460 | | 58,460 |
| Video Poker revenue | 184,172 | | 184,172 |
| Other state grants | 59,576 | | 59,576 |
| Interest earnings | 12,705 | | 12,705 |
| Other | 42,227 | | 42,227 |
| Total revenues | <u>2,090,569</u> | <u>90,000</u> | <u>2,180,569</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government: | | | |
| Judicial | 18,728 | | 18,728 |
| Executive | 211,769 | | 211,769 |
| Finance and administrative | 456,925 | | 456,925 |
| Other general government | | 122,786 | 122,786 |
| Public safety | 804,293 | | 804,293 |
| Public works | 415,088 | | 415,088 |
| Culture and recreation | 29,472 | | 29,472 |
| Debt Service | 96,318 | | 96,318 |
| Capital outlay | 138,839 | | 138,839 |
| Total expenditures | <u>2,171,432</u> | <u>122,786</u> | <u>2,294,218</u> |
| EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES | (80,863) | (32,786) | (113,649) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>(32,786)</u> | <u>32,786</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | (113,649) | - | (113,649) |
| FUND BALANCES - JANUARY 1, 2004 | <u>1,077,398</u> | <u>1,028</u> | <u>1,078,426</u> |
| FUND BALANCES - DECEMBER 31, 2004 | <u>\$ 963,749</u> | <u>\$ 1,028</u> | <u>\$ 964,777</u> |

The notes to the financial statements are an integral part of this statement.

**CITY OF MANSFIELD
Mansfield, Louisiana****Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities****For the Year Ended December 31, 2004**

Total net change in fund balances - governmental funds (Statement E) \$ (113,649)

Amounts reported for governmental activities in the Statement
of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense. This is the amount by
which capital outlays exceed depreciation in the period 88,964

Some expenses reported in the statement of activities do not require the use of
current financial resources and therefore are not reported as expenditures in
governmental funds - changes in long-term debt 50,000

Change in net assets of governmental activities (Statement B) \$ 25,315

The notes to the financial statements are an integral part of this statement.

Statement G

CITY OF MANSFIELD
Mansfield, Louisiana

Statement of Net Assets
Proprietary Funds
December 31, 2004

| | Business-type Activities Enterprise Funds | | |
|--|--|---------------|------------------------------|
| | Sewer Fund | Water Fund | Total Enterprise Funds |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 148,006 | \$ 354,167 | \$ 502,173 |
| Investments | | 72,040 | 72,040 |
| Receivables (net of allowances for uncollectibles) | 50,566 | 145,956 | 196,522 |
| Total Current Assets | 198,572 | 572,163 | 770,735 |
| Restricted Assets: | | | |
| Cash and cash equivalents | 171,220 | 466,009 | 637,229 |
| Investments | 225,829 | 165,882 | 391,711 |
| Total Restricted Assets | 397,049 | 631,891 | 1,028,940 |
| Noncurrent Assets: | | | |
| Bond issuance cost (net of amortization) | 27,666 | 81,904 | 109,570 |
| Capital assets: | | | |
| Land | | 70,361 | 70,361 |
| Buildings and equipment (net of accumulated depreciation) | 2,490,421 | 346,994 | 2,837,415 |
| Total Non-Current Assets | 2,518,087 | 499,259 | 3,017,346 |
| Total Assets | \$ 3,113,708 | \$ 1,703,313 | \$ 4,817,021 |

(Continued)

Statement G

CITY OF MANSFIELD
Mansfield, Louisiana

Statement of Net Assets
Proprietary Funds
December 31, 2004

| | Business-type Activities | | |
|--|---------------------------------|-----------------------|---|
| | Enterprise Funds | | |
| | Sewer Fund | Water Fund | Total Total Enterprise Funds |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 1,874 | \$ 5,560 | \$ 7,434 |
| Accrued payroll taxes | - | 4,224 | 4,224 |
| Bonds payable | 129,000 | 35,000 | 164,000 |
| Total Current Liabilities | 130,874 | 44,784 | 175,658 |
| Current Liabilities payable from restricted assets - water meter deposits | - | 144,857 | 144,857 |
| Non Current Liabilities: | | | |
| Bonds payable | 1,091,000 | 900,000 | 1,991,000 |
| Total Non-Current Liabilities | 1,091,000 | 900,000 | 1,991,000 |
| Total Liabilities | 1,221,874 | 1,089,641 | 2,311,515 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1,270,421 | (517,645) | 752,776 |
| Restricted for Debt Service | 236,658 | 291,912 | 528,570 |
| Unrestricted | 384,755 | 839,405 | 1,224,160 |
| Total Net Assets | \$ 1,891,834 | \$ 613,672 | \$ 2,505,506 |

(Concluded)

The accompanying notes are an integral part of this statement.

Statement H

CITY OF MANSFIELD
Mansfield, LouisianaPROPRIETARY FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Net Assets
For the Year Ended December 31, 2004

| | Business-type Activities - Enterprise Funds | | |
|---|--|-------------------|------------------------------|
| | Sewer Fund | Water Fund | Total Enterprise Funds |
| OPERATING REVENUES: | | | |
| Charges for services | \$ 410,592 | \$ 1,192,233 | \$ 1,602,825 |
| Miscellaneous | | - | - |
| Total operating revenues | <u>410,592</u> | <u>1,192,233</u> | <u>1,602,825</u> |
| OPERATING EXPENSES: | | | |
| Personal services | 140,853 | 579,252 | 720,105 |
| Supplies | 19,341 | 186,883 | 206,224 |
| Utilities | 8,014 | 120,895 | 128,909 |
| Repairs and maintenance | 20,887 | 78,305 | 99,192 |
| Contractual services | | - | - |
| Other supplies and charges | | - | - |
| Depreciation | 250,759 | 49,585 | 300,344 |
| Total operating expenses | <u>439,854</u> | <u>1,014,920</u> | <u>1,454,774</u> |
| Operating income (loss) | <u>(29,262)</u> | <u>177,313</u> | <u>148,051</u> |
| Non-operating revenues (expenses) | | | |
| Interest earnings | 7,248 | 16,294 | 23,542 |
| Bond issue cost amortization | (3,074) | (10,350) | (13,424) |
| Interest expense and fiscal charges | (35,765) | (71,914) | (107,679) |
| Total non-operating revenues (expenses) | <u>(31,591)</u> | <u>(65,970)</u> | <u>(97,561)</u> |
| Change in net assets | (60,853) | 111,343 | 50,490 |
| Total net assets-beginning | 440,542 | 228,056 | 668,598 |
| Change in Account Principle: | | | |
| Capital Contributions | <u>1,512,145</u> | <u>274,273</u> | <u>1,786,418</u> |
| Total net assets-ending | <u>\$ 1,891,834</u> | <u>\$ 613,672</u> | <u>\$ 2,505,506</u> |

The notes are an integral part of this financial statement.

Statement I

CITY OF MANSFIELD
Mansfield, LouisianaPROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2004

| | Business-type Activities - Enterprise Funds | | |
|---|--|----------------|------------------------------|
| | Sewer Fund | Water Fund | Total Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 405,518 | \$ 1,168,466 | \$ 1,573,984 |
| Cash payments to suppliers for goods and services | (61,565) | (371,548) | (433,113) |
| Cash payments to employees for services | (128,753) | (583,476) | (712,229) |
| Net cash provided by (used for) operating activities | 215,200 | 213,442 | 428,642 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | - | - | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (16,872) | (47,151) | (64,023) |
| Principal paid on revenue bonds | (83,000) | (35,000) | (118,000) |
| Interest paid on revenue bonds | (35,765) | (71,914) | (107,679) |
| Net cash used for capital and related financing activities | (135,637) | (154,065) | (289,702) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (3,418) | (106,203) | (109,621) |
| Interest earnings | 7,248 | 16,294 | 23,542 |
| Net cash provided by (used for) investing activities | 3,830 | (89,909) | (86,079) |
| Net increase (decrease) in cash and cash equivalents | 83,393 | (30,532) | 52,861 |
| Cash and cash equivalents-beginning of the year | 235,833 | 850,708 | 1,086,541 |
| Cash and Cash Equivalents-end of the year | \$ 319,226 | \$ 820,176 | 1,139,402 |
| Reconciliation of total cash and cash equivalents | \$ 148,006 | \$ 354,167 | \$ 502,173 |
| Unrestricted Assets - Cash and cash equivalents | 171,220 | 466,009 | 637,229 |
| Restricted Assets - Cash and cash equivalents | \$ 319,226 | \$ 820,176 | \$ 1,139,402 |

(Continued)

Statement I

CITY OF MANSFIELD
Mansfield, Louisiana

PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2004

| | Business-type Activities - Enterprise Funds | | |
|--|--|-------------------|------------------------------|
| | Sewer Fund | Water Fund | Total Enterprise Funds |
| PROVIDED BY OPERATION ACTIVITIES | | | |
| Operating income (loss) | \$ (29,262) | \$ 177,313 | \$ 148,051 |
| Adjustments | | | |
| Depreciation | 250,759 | 49,585 | 300,344 |
| Net changes in assets and liabilities: | | | |
| Account receivable | (5,074) | (23,768) | (28,842) |
| Water meter deposits | - | 8,261 | 8,261 |
| Accounts payable | (1,223) | (2,173) | (3,396) |
| Accrued payroll taxes | - | 4,224 | 4,224 |
| Net cash provided by (used for) operating activities | <u>\$ 215,200</u> | <u>\$ 213,442</u> | <u>\$ 428,642</u> |

(Concluded)

The notes are an integral part of this financial statement.

Statement J

**CITY OF MANSFIELD
MANSFIELD, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
DECEMBER 31, 2004**

| | <u>AGENCY International Paper Fund</u> |
|---------------------------|--|
| ASSETS | |
| Cash and cash equivalents | \$ 23,277 |
| Receivables | <u>42,821</u> |
| Total Assets | <u><u>\$ 66,098</u></u> |
| LIABILITIES | |
| Liabilities: | |
| Accounts payable | \$ 41,098 |
| Deposits due others | <u>25,000</u> |
| Total Liabilities | <u><u>\$ 66,098</u></u> |

The accompanying notes are an integral part of this statement.

Statement K

CITY OF MANSFIELD
MANSFIELD, LOUISIANA
FUDICIARY FUND TYPE - AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES
IN UNSETTLED DEPOSITS
FOR THE YEAR ENDED DECEMBER 31, 2004

| | <u>AGENCY</u> <u>International</u> <u>Paper</u> <u>Fund</u> |
|--------------------------------------|--|
| Deposits due others, January 1, 2004 | \$ 25,150 |
| Additions: | |
| Income from international paper | 474,947 |
| Total Additions | <u>474,947</u> |
| Total | <u>500,097</u> |
| Reductions: | |
| Medicare expense | 13 |
| Eletrical expense | 465,040 |
| Miscellaneous expense | 6,723 |
| Phone expense | 1,682 |
| Workman's compensation insurance | 72 |
| Vehicle & equipment expense | 698 |
| Salaries | 869 |
| Total Reductions | <u>475,097</u> |
| DEPOSITS DUE OTHERS, DECEMBER | <u>\$ 25,000</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

INTRODUCTION

The City of Mansfield was incorporated in 1847 under the provisions of Act 128 of the General Assembly of the State of Louisiana. The city operates under a Mayor-Board of Aldermen form of government. The city provides the following services as authorized by its charter: police and fire protection, water and sewerage, streets, sanitation, and general administrative services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (if any).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

B. REPORTING ENTITY

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the City is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The City also has no component units, as defined by GASB Statement No. 14. There are no other primary governments with which the City has a significant relationship.

C. FUNDS

The City uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. Funds of the City are classified into two categories: governmental and proprietary, as follows:

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

Governmental Funds

Governmental funds account for most of the City's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources, which may be used to finance future period programs or operations of the City. The following are the City's primary governmental funds:

General Fund - The primary operating fund of the City, it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to City policy.

Major Special Revenue Funds - Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, or designated by the City to be accounted for separately.

LCDBG Project Fund - The LCDBG Project Fund accounts for all financial resources used for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds.

Proprietary Funds

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Fiduciary Funds

The International Paper Fund (an agency fund) is used to account for assets held by the City as an agent for others. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole. These statements include all the financial activities of the City.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues - Program revenues included in the Statement of Activities (Statement B) derive directly from parties outside the City's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues.

Direct Expenses - The City reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. As of and for the year ended December 31, 2004, all governmental funds are considered to be major funds and are reported in the Balance Sheet (Statement C) and in the Statement of Revenues, Expenditures, and Changes in Fund Balances (Statement E).

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

Revenues

Those revenues susceptible to accrual are property taxes, sales taxes, and charges for services. Fines, and forfeitures, and permit and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Interest earnings are recorded when the investments have matured and the interest is available.

Expenditures

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liability is incurred.

Principal and interest on long-term debt are recognized when due.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid, sale of fixed assets, and long-term debt proceeds, are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and these investments with original maturities of less than six months. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Under state law, the City may invest in United States bonds treasury notes, or certificates. These are classified as investments if their original maturities exceed 182 days. All investments are stated at cost.

In accordance with GASB Codification 150.165 the investment in LAMP at December 31, 2004, is not categorized in the three risk categories provided by GASB Codification 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investment. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

CITY OF MANSFIELD, LOUISIANA

Mansfield, Louisiana

Notes to the Financial Statements As of and for the Year Ended December 31, 2004

For purposes of the statement of cash flows, the water and sewer enterprise funds consider all highly liquid deposits (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are short term in nature and are classified as interfund receivables or interfund payables on the Balance Sheet (Statement C).

G. INVENTORIES

Inventories of supplies in the Proprietary Fund is not material and is charged to operations as purchased.

H. CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Capital assets are recorded in the GWFS, but are not reported in the FFS. Since surplus assets are sold for an immaterial amount when declared as no longer needed for their intended purposes by the City, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| <u>Water Fund</u> | <u>Estimated Lives</u> |
|--------------------------|----------------------------|
| Water Utility: | |
| Water works | 40 years |
| Water meters | 10 years |
| Computer | 4 – 5 years |
| Other equipment | 4 – 10 years |
| Pump station | 20 years |
| <u>Sewer Fund</u> | |
| Sewerage treatment plant | 20 years |
| Equipment | 3 years |
| Sewer system | 20 years |
| Portable building | 10 years |

I. COMPENSATED ABSENCES

City employees earn from 10 to 20 days vacation and from 12 to 30 days sick leave each year. Vacation leave does not accumulate and accrued sick leave does not vest; therefore, no accrual for compensated absences is made as of December 31, 2004.

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

J. RESTRICTED NET ASSETS

For government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

N. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

O. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as transfers.

P. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. LEVIED TAXES

The City levies ad valorem taxes at the rate of 16.82 mills on the dollar of assessed valuation of property. Of the total millage levied, 8.25 mills are authorized by the state and 8.57 mills are approved by the City of Mansfield voters. The assessed valuation of property was \$17,757,245 for the year ended December 31, 2004. Net ad valorem taxes levied were \$298,681.

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

The following are the principal taxpayers and related ad valorem tax revenue for the City:

| Taxpayer | Assessed Valuation | Percent of Total Assessed Valuation |
|------------------------------|---------------------------|--|
| Hibernia National Bank | \$1,140,340 | 6.42% |
| BellSouth Telecommunications | 772,530 | 4.35% |
| Central LA Electric Co. | 746,111 | 4.20% |
| Mansfield Auto World | 609,371 | 3.43% |
| Community Bank of LA | 598,329 | 3.37% |
| Lewiston Property Holding | 596,671 | 3.36% |
| Brookshire Grocery Co. | 447,532 | 2.52% |
| Walmart Louisiana, LLC | 415,068 | 2.34% |
| Desoto Plaza Associates | 340,709 | 1.92% |
| Desoto Retirement & Rehab | 245,891 | 1.38% |
| Total | <u><u>\$5,912,552</u></u> | <u><u>33.29%</u></u> |

3. CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2004:

| | |
|---------------------------------------|----------------------------|
| Demand deposits | \$ 1,118,706 |
| Timed deposits | 828,995 |
| LAMP | 206,178 |
| Cash on hand | 500 |
| Total cash and cash equivalent | <u><u>\$ 2,154,379</u></u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2004, the City has \$2,205,113 in deposits (collected bank balances). These deposits are secured from risk by \$737,275 of federal deposit insurance, \$206,178 self insured and \$3,190,148 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1299 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent bank has failed to pay deposited funds upon demand.

At December 31, 2004, the City held U. S. Treasury Securities with fair values totaling \$3,190,149. These notes are direct obligations of the United States Government, which are pledged by its full faith and credit.

5. INVESTMENTS

The City is holding investments in certificates of deposit and money market backed treasury securities for a total investment value of \$828,995. The market value for these securities approximates cost. These investments are fully collateralized.

6. RECEIVABLES

The receivables of \$401,776 at December 31, 2004, are as follows:

| <u>Class of Receivable</u> | <u>General Fund</u> | <u>Water Works Fund</u> | <u>Sewer Dept. Fund</u> | <u>IP Agency Fund</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------------|-------------------------|-----------------------|-------------------|
| Taxes | \$ 68,172 | \$ - | \$ - | \$ - | \$ 68,172 |
| Licences & permits | 48,833 | | | | 48,833 |
| Intergovernment Revenue | 25,510 | 2,040 | | | 27,550 |
| Fees, charges, & comm. | | 113,248 | 39,783 | | 153,031 |
| Unbilled receivables | | 27,926 | 10,783 | | 38,709 |
| Franchise & telecomm. | 20,656 | | | | 20,656 |
| Other | | 2,742 | | 42,083 | 44,825 |
| | <u>\$ 163,171</u> | <u>\$ 145,956</u> | <u>\$ 50,566</u> | <u>\$ 42,083</u> | <u>\$ 401,776</u> |

7. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2004, is as follows:

A. Governmental Activities

| | Balance at 01/01/2004 | Additions | Deletions | Balance at 12/13/2004 |
|---|--------------------------|-----------|-----------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 103,904 | \$ - | \$ - | \$ 103,904 |
| Total capital assets not being depreciated | 103,904 | - | - | 103,904 |

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

Other capital assets:

| | | | | |
|---|------------|-----------|------|-----------|
| Buildings | 522,216 | | | 522,216 |
| Improvements other than buildings | 850,469 | 100,995 | | 951,464 |
| Equipment | 133,124 | 37,842 | | 170,966 |
| Office furniture | 1,055 | | | 1,055 |
| Vehicles | 421,397 | | | 421,397 |
| Total other capital assets at historical cost | 1,928,261 | 138,837 | - | 2,067,098 |
| Less accumulated depreciation | 1,516,125 | 49,875 | - | 1,566,000 |
| Other capital assets, net | 412,136 | 138,837 | - | 501,098 |
| Governmental activities capital assets, net | \$ 516,040 | \$138,839 | \$ - | \$605,002 |

*Depreciation expense was charged to functions as follows:

| | |
|--|-----------|
| Governmental activities: | 2004 |
| General government | \$ 15,050 |
| Public safety | 32,647 |
| Public works | 633 |
| Parks and recreation | 1,545 |
| Total governmental activities depreciation expense | \$ 49,875 |

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

A summary of changes in capital assets for the year ended December 31, 2004, is as follows:

B. Business-type Activities

| | Balance at 1/1/2004 | Additions | Deletions | Balance at 12/13/2004 |
|--|------------------------|-----------|--------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ - | \$ 18,745 | \$ - | \$ 18,745 |
| Land | 70,361 | | - | 70,361 |
| Total capital assets not being depreciated | 70,361 | 18,745 | - | 89,106 |
| Other capital assets: | | | | |
| Buildings | 3,095 | | | 3,095 |
| Water Treatment Plant | 2,218,380 | | | 2,218,380 |
| Machinery & Equipment | 337,359 | 13,978 | | 351,337 |
| Pumping Station | 961,832 | | | 961,832 |
| Transmission Line | 1,958,822 | | | 1,958,822 |
| Sewer & Water System | 610,708 | 33,160 | | 643,868 |
| Sewer System | 2,907,635 | | | 2,907,635 |
| Sewer Treatment Plant | 2,111,448 | | | 2,111,448 |
| Total other capital assets at historical cost | 11,109,279 | 47,138 | - | 11,156,417 |
| Less accumulated depreciation | 8,037,403 | - | 300,344 | 8,337,747 |
| Other capital assets, net | 3,071,876 | 47,138 | (300,344) | 2,818,670 |
| Business-type activities capital assets, net | \$ 3,142,237 | \$ 65,883 | \$ (300,344) | \$ 2,907,776 |

*Depreciation expense was charged to
functions as follows:

| | |
|--|------------|
| Business-type activities: | 2004 |
| Water | \$ 49,585 |
| Sewer | 250,759 |
| Total Business-type activities depreciation expense | \$ 300,344 |

CITY OF MANSFIELD, LOUISIANA

Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

8. RETIREMENT SYSTEMS

A. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA(SYSTEM)

Plan Description

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55, with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225)925-4810.

Funding Policy

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City of Mansfield is required to contribute at an actuarially determined rate. The current rate is 15% of annual covered payroll. Contributions to the System also include one-fourth of 1% of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City of Mansfield are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year. The City of Mansfield contributions to the System under Plan A for the years ending December 31, 2004, 2003 and 2002 were \$128,299, \$94,431, and \$76,370, respectively, equal to the required contributions for each year.

B. MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA (SYSTEM)

Plan Description

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

accrued to their date of termination. The system also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809, or by calling (225)929-7411.

Funding Policy

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City of Mansfield is required to contribute at an actuarially determined rate. The current rate is 21.50% of annual covered payroll. The contribution requirements of plan members and the City of Mansfield are established and may be amended by state statute. As provided by LA R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Mansfield's contributions to the System for the years ending December 31, 2004, 2003, and 2002, were \$63,803, \$39,705, and \$25,478, respectively, equal to the required contributions for each year.

9. LONG-TERM DEBT

At December 31, 2004, the long-term debt of the City consisted of the following individual bond issues in the Enterprise Funds:

| | |
|---|--------------------|
| Water Revenue Refunding Bonds, Series 1997, 7.55%, dated April 1, 1998, in the original amount of \$1,090,000. Scheduled principal and interest payments due annually through April, 2018 | \$ 935,000 |
| Sewer Revenue Bonds, Series 2003 (Refunding 1992 Bond) variable interest rates, in the original amount of \$1,056,000. Scheduled principal and interest payments due annually through March, 2012 | 994,000 |
| Sewer Revenue Bonds, Series 1996, 2.45%, dated March 1, 1997, in the original amount of \$345,383. Scheduled principal and interest payments due annually through March 1, 2014 | <u>226,000</u> |
| Total bonds payable – Enterprise Fund | 2,155,000 |
| Less: Current portion of long-term debt | <u>(164,000)</u> |
| Revenue bonds payable | <u>\$1,991,000</u> |

Water Revenue Bonds constitute obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The revenue of the water and sewer system and the various special funds established by the bond ordinances collateralizes the Revenue Bonds. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond fund. Remaining revenues may then be used for any lawful purpose.

The annual requirements to service Enterprise funds debt outstanding as of December 31, 2004, are as follows:

CITY OF MANSFIELD, LOUISIANA

Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

ENTERPRISE FUND OBLIGATIONS:

| WATER FUND | | | |
|-------------|-------------------|-------------------|---------------------|
| Year | Principal | Interest | Total Payments |
| 2005 | \$ 35,000 | \$ 69,271 | \$ 104,271 |
| 2006 | 40,000 | 66,440 | 106,440 |
| 2007 | 45,000 | 63,231 | 108,231 |
| 2008 | 45,000 | 59,834 | 104,834 |
| 2009 | 50,000 | 56,248 | 106,248 |
| 2010 - 2014 | 330,000 | 214,040 | 544,040 |
| 2015 - 2018 | 390,000 | 61,908 | 451,908 |
| | <u>\$ 935,000</u> | <u>\$ 590,972</u> | <u>\$ 1,525,972</u> |

| SEWER FUND | | | |
|-------------|---------------------|-------------------|---------------------|
| Year | Principal | Interest | Total Payments |
| 2005 | \$ 129,000 | \$ 31,390 | \$ 160,390 |
| 2006 | 134,000 | 28,384 | 162,384 |
| 2007 | 138,000 | 24,901 | 162,901 |
| 2008 | 142,000 | 21,323 | 163,323 |
| 2009 | 148,000 | 17,644 | 165,644 |
| 2010 - 2014 | 529,000 | 27,473 | 556,473 |
| | <u>\$ 1,220,000</u> | <u>\$ 151,115</u> | <u>\$ 1,371,115</u> |

At December 31, 2004, the City's general long-term debt group includes the following loan:

Louisiana Local Government Environmental Facilities and Community Development Authority 5.41%, dated December 2001 in the original amount of \$1,000,000. Scheduled principal and interest payments due annually through 2016

\$ 860,000

The annual requirements to service general long-term debt outstanding as of December 31, 2004, are as follows:

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

| GENERAL FUND OBLIGATIONS | | | |
|--------------------------|-------------------|-------------------|---------------------|
| Year | Principal | Interest | Total Payments |
| 2005 | \$ 50,000 | \$ 44,817 | \$ 94,817 |
| 2006 | 55,000 | 41,817 | 96,817 |
| 2007 | 60,000 | 38,517 | 98,517 |
| 2008 | 60,000 | 34,917 | 94,917 |
| 2009 | 65,000 | 31,467 | 96,467 |
| 2010 - 2014 | 385,000 | 106,399 | 491,399 |
| 2015 - 2016 | 185,000 | 14,470 | 199,470 |
| | <u>\$ 860,000</u> | <u>\$ 312,404</u> | <u>\$ 1,172,404</u> |

10. RESERVED RETAINED EARNINGS

The resolutions authorizing the Water Revenue Bonds requires that the City establish a sinking fund, reserve funds, and a contingency fund and make monthly payments in order to satisfy payments of principal and interest on all bonds payable. All reserve requirements for the bonds have been met and the City has complied with all significant financial requirements as of December 31, 2004.

The bond covenants for the long-term water and sewer revenue bonds require the City to establish the following accounts:

Waterworks Revenue Bond and Interest Sinking Fund - The City must transfer into this fund, each month, one-twelfth of the principal and one-sixth of the interest due on the next principal and interest payment dates. Such transfers will be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

Waterworks Revenue Bond Reserve Fund - The City must transfer into this fund, each month, an amount equal to 5 percent of the amount to be paid into the Sinking Fund until there will have been accumulated in the Reserve Fund an amount equal to the maximum principal and interest requirements in any succeeding maturity year. The maximum amount is \$114,114. Such amounts may be used only for the payment of maturing bonds and interest for which sufficient funds are not on deposit in the Waterworks Revenue Bond and Interest Sinking Fund and as to which there would otherwise be default.

Waterworks Depreciation and Contingency Fund - The City must transfer an amount equal to 5 percent of the amount to be paid into the Sinking Fund. These funds may be used for extensions, additions, improvements, and replacements, necessary to properly operate the water system. These funds may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for the payment in the other bond funds. However, such funds shall be replaced as soon as possible after making the required payments into the other bond funds.

CITY OF MANSFIELD, LOUISIANA
Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

Sewer Revenue Bond Sinking Fund - The City must transfer into this fund, each month, an amount equal to the principal and interest accruing on the outstanding principal amount of the bonds for such calendar month. Such transfers will be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

Sewer Revenue Bond Debt Service Reserve Fund - The City must transfer into this fund, each month on or before the 20th, an amount equal to 25 percent of the amount required to be paid into the sinking Fund until there has been accumulated a sum equal to the Reserve Fund Requirement of \$140,138. Such amounts may be used only for the payment of maturing bonds and interest for which sufficient funds are not on deposit in the Sewer Revenue Bond Sinking Fund and as to which there would otherwise be default.

Sewer System Renewal and Replacement Fund - The City must transfer, each month on or before the 20th, an amount equal to 5 percent of the net revenues of the sewer system collected in the prior month until a balance of \$75,000 has been established. Money in this fund may be used for extensions, additions, improvements, and replacements necessary to properly operate the sewer system. These funds also may be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for the payment in the other bond funds. However, such funds shall be replaced as soon as possible after making the required payments into the other bond funds.

At December 31, 2004, the City is in compliance with each of the funding requirements described above.

The amount of retained earnings reserved for revenue bond retirement is detailed as follows:

| | |
|---|--------------------------|
| Restricted cash and investments | \$ 793,231 |
| Less: | |
| Current principal and interest payments | <u>264,661</u> |
| Reserved for bond retirement | <u><u>\$ 528,570</u></u> |

11. CONTINGENT LIABILITIES

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

CITY OF MANSFIELD, LOUISIANA

Mansfield, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

12. LITIGATION AND CLAIMS

At December 31, 2004, the City was not involved in any lawsuits nor is aware of any outstanding claims, which are not covered by insurance.

13. ON BEHALF PAYMENTS FOR SALARIES

The City recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the City's police and fire employees. For year ended December 31, 2004, the State made contributions of \$58,460.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

Schedule A

CITY OF MANSFIELD
Mansfield, LouisianaGENERAL FUND
Budgetary Comparison Schedule
For the Year Ended December 31, 2004

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET Positive (Negative) |
|--|--------------------|-------------------|--------------------------------|--|
| REVENUES | | | | |
| Taxes: | | | | |
| Ad valorem | \$ 299,158 | \$ 301,858 | \$ 309,262 | \$ 7,404 |
| Sales taxes | 760,000 | 760,000 | 731,762 | (28,238) |
| Licenses and permits | 476,500 | 487,000 | 496,694 | 9,694 |
| Fees, charges, and commissions | 31,243 | 32,624 | 26,051 | (6,573) |
| Fines and forfeitures | 173,750 | 192,950 | 155,259 | (37,691) |
| Intergovernmental | | | | |
| State Grants: | | | | |
| Fire insurance rebate | 12,000 | 14,000 | 14,401 | 401 |
| Video poker revenue | 145,000 | 153,300 | 184,172 | 30,872 |
| Other | 9,000 | 78,268 | 59,576 | (18,692) |
| Interest earnings | 7,500 | 8,700 | 12,705 | 4,005 |
| Other | 30,600 | 51,499 | 42,227 | (9,272) |
| Total revenues | <u>1,944,751</u> | <u>2,080,199</u> | <u>2,032,109</u> | <u>(48,090)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 998,589 | 1,096,661 | 783,740 | 312,921 |
| Public safety | 702,776 | 724,114 | 745,833 | (21,719) |
| Public works | 243,386 | 275,580 | 415,088 | (139,508) |
| Parks and recreation | - | - | 29,472 | (29,472) |
| Capital outlay | 110,000 | 144,844 | 138,839 | 6,005 |
| Total expenditures | <u>2,054,751</u> | <u>2,241,199</u> | <u>2,112,972</u> | <u>128,227</u> |
| EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES | (110,000) | (161,000) | (80,863) | 80,137 |
| OTHER FINANCING SOURCES (Uses): | | | | |
| Operating transfers out | - | - | (32,786) | (32,786) |
| NET CHANGES IN FUND BALANCES | (110,000) | (161,000) | (113,649) | 47,351 |
| FUND BALANCES - JANUARY 1, 2004 | 448,740 | 448,740 | 1,077,398 | 628,658 |
| FUND BALANCES - DECEMBER 31, 2004 | <u>\$ 338,740</u> | <u>\$ 287,740</u> | <u>\$ 963,749</u> | <u>\$ 676,009</u> |

(Concluded)

**CITY OF MANSFIELD
Mansfield, Louisiana**

**Noted to Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget (GAAP)
Basis and Actual
For the Year Ended December 31, 2004**

BUDGETARY POLICIES

The Mayor and City Clerk prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The proposed budget is reviewed by the board of aldermen and made available to the public. At least ten days after publication of the call for a public hearing the city holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the board of aldermen as a whole. The budget is then adopted through the passage of an ordinance during the December meeting, and notice is published in the official journal.

During the year, the board of aldermen receives monthly budget comparison statements, which are used as tools to control the operations of the City. The City clerk presents necessary budget amendments to the board when she determines that actual operations are differing materially from those anticipated in the original budget. The board in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes. The budget has been amended during the year. The budget is established and controlled by the mayor and board of aldermen at the functional level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. The mayor and board of aldermen must approve all changes in the budget. The City does not use encumbrance accounting in its accounting system.

SUPPLEMENTAL INFORMATION

CITY OF MANSFIELD
Mansfield, Louisiana

NON MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
For the Year Ended December 31, 2004

| | <u>SPECIAL REVENUE FUND</u> | <u>CAPITAL PROJECT FUND</u> | |
|--|--|---------------------------------|-----------------|
| | <u>Housing Preservation Grant Fund</u> | <u>LCDBG Grant Fund</u> | <u>TOTAL</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,075 | \$ 1,028 | \$ 4,103 |
| Interfund receivables | 1,400 | | 1,400 |
| TOTAL ASSETS | <u>\$ 4,475</u> | <u>\$ 1,028</u> | <u>\$ 5,503</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts, salaries, and other payables | \$ 4,475 | | \$ 4,475 |
| Total Liabilities | <u>4,475</u> | <u>-</u> | <u>4,475</u> |
| Fund balances: | | | |
| Unreserved, undesignated, reported in: | | | |
| Special revenue fund | - | - | - |
| Debt service funds | | 1,028 | 1,028 |
| Total Fund Balances | <u>-</u> | <u>1,028</u> | <u>1,028</u> |
| Total liabilities and fund balances | <u>\$ 4,475</u> | <u>\$ 1,028</u> | <u>\$ 5,503</u> |

The notes to the financial statements are an integral part of this statement.

Statement C

CITY OF MANSFIELD
Mansfield, LouisianaNON MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2004

| | SPECIAL REVENUE FUND | CAPITAL PROJECT FUND | |
|--|---------------------------------------|-------------------------|-----------|
| | Housing Preservation Grant Fund | LCDBG Grant Fund | TOTAL |
| REVENUES | | | |
| Taxes: | | | |
| Intergovernmental: | | | |
| Federal grants | \$ 90,000 | | \$ 90,000 |
| Total revenues | 90,000 | - | 90,000 |
| EXPENDITURES | | | |
| Current: | | | |
| General government: | | | |
| Other general government | 122,786 | | 122,786 |
| Total expenditures | 122,786 | - | 122,786 |
| EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES | (32,786) | - | (32,786) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 32,786 | | 32,786 |
| NET CHANGES IN FUND BALANCES | - | - | - |
| FUND BALANCES - JANUARY 1, 2004 | - | 1,028 | 1,028 |
| FUND BALANCES - DECEMBER 31, 2004 | \$ - | \$ 1,028 | 1,028 |

The notes to the financial statements are an integral part of this statement.

Schedule D

**CITY OF MANSFIELD
Mansfield, Louisiana**

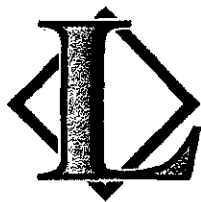
**Schedule of Compensation Paid Aldermen
For the Years Ended December 31, 2004**

| | <u>2004</u> |
|--------------------------------|------------------|
| Honorable G. B. Hall, III | \$ 6,000 |
| Honorable J. Dudley Kemper | 6,000 |
| Honorable Mitchell Lewis | 6,000 |
| Honorable John Mayweather, Sr. | 6,000 |
| Honorable Alvin Ray Woodley | 6,000 |
| | <u>\$ 30,000</u> |

**INDEPENDENT AUDITOR'S REPORTS ON INTERNAL
CONTROL AND COMPLIANCE**

**Independent Auditors' Reports on
Compliance and on Internal Control**

The following independent auditors' reports on compliance with laws, regulations, contracts, and grants and internal control are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

City of Mansfield
Mansfield, Louisiana

We have audited the basic financial statements of the City of Mansfield, as of December 31, 2004, and for the year then ended, and have issued our report thereon dated June 24, 2005. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mansfield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Mansfield's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-01, 04-02, 04-03, and 04-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, of the reportable conditions described above, we consider item 04-03 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mansfield's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 04-01 and 04-05.

CITY OF MANSFIELD
Mansfield, Louisiana

We noted a certain matter that we reported to management of the City of Mansfield in a separate letter dated June 24, 2005.

This report is intended solely for the information and use of the members of the City Council of the City of Mansfield, management of the City of Mansfield, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Little + Associates LLC

June 24, 2005
Monroe, Louisiana

**CITY OF MANSFIELD
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
For the Years Ended December 31, 2004**

A. SUMMARY OF AUDIT RESULTS

Financial Statement Audit

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Mansfield.
2. Reportable conditions relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance With *Government Auditing Standards*. Of the reportable conditions, one is considered to be a material weakness.
3. Two instances of noncompliance material to the basic financial statements of the City of Mansfield were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 04-01 Compliance with Public Bid Law

Condition and Criteria: The City did not comply with the public law. Under state law the City may procure computer software through the bid process under Louisiana Revised Statutes 38:2111, et seq., or through a request for proposals method in R.S. 38:2234-2237. The City purchased computer software costing \$31,589. While the City obtained written quotes for the purchase of the computer software and selected the lowest quote, the City did not utilize the bid process nor did it properly make a request for proposals when obtaining the quotes.

Cause: Unknown.

Effect: Failure to properly utilize the bid process or make a request for proposals may not provide for an appropriate level of competitive bidding, which may result in paying more for materials and equipment.

Recommendation: The City should familiarize itself with and comply with the requirements of the public bid law.

Finding 04-02 Payroll Expenditures and Records

Condition and Criteria: Internal control procedures over payroll operations are not adequate. Adequate controls should include formal approval by the Mayor of increases in employee pay rates, and such approval should be evidenced by documentation signed by the Mayor and the employee prior to the effective date of such pay rate increases. Adequate controls also should include time and attendance reports for each employee that both the employee and his or her supervisor have signed. During the tests of payroll operations, the following was noted:

- The Mayor's approval of the wage and salary increases for 2005 was formally documented on an approval form signed by the Mayor and the respective employee on or about January 20,

2005. It was noted on the approval form that the raises in employee wages and salaries were deemed to be effective January 1, 2005.

- The 2005 pay rate increases were included in the final payroll for 2004.
- Time and attendance reports for several employees were not signed by the employees' supervisors and the employees.

Cause: Unknown

Effect: Employees were improperly overpaid, and the City has no assurance that employees are being paid only for hours actually worked.

Recommendation: The City should review and modify, accordingly, its internal controls and policies over payroll operations. It is recommended that:

- The Mayor's formal documentation of his approval of pay rate increases be made prior to the effective date of such increases.
- The Mayor refrain from applying pay rate increases retroactively.
- The Mayor or the Clerk sign the time and attendance reports for all department heads; the department heads sign the time and attendance reports of the employees under their supervision; the Clerk signs all time and attendance reports for the employees under the Clerk's supervision; and the Mayor signs the Clerk's time and attendance report. All employees should sign their time and attendance reports.

Finding 04-03 Financial Accounting System

Condition and Criteria: During our audit, we noted the following deficiencies in the operation of the City's financial accounting system:

- Check numbers were not utilized in a numerical sequence. In February, several check numbers were skipped and then utilized in March and April.
- Journal entries are recorded in a manual ledger prior to entering the entry into the computerized general ledger. Supporting documentation for several of these entries was not available and there was no indication in the manual ledger that the entries had been posted to the general ledger. Also, the names of the individuals who posted the journal entries to the manual ledger were not included with journal entry, and there was no indication that an appropriate level of management had authorized the journal entries.
- Adjusting journal entries were not posted to the general ledger.
- While the City has several employees that perform accounting functions, the City does not have any one Knowledgeable employee overseeing the overall financial accounting operations and ensuring that the financial reports generated by the accounting system are accurate, complete, and timely prepared.

The City's financial accounting system should ensure that: (i) documents utilizing sequential numbers be utilized in numerical sequence; (ii) all transactions be supported by adequate documentation and be approved by the appropriate level of authority; (iii) all entries relevant to the financial operations of the

City be posted to the general ledger in a timely manner; and (iv) the financial reports generated by the accounting system be accurate, complete, and timely prepared.

Cause: Unknown

Effect: Lack of a properly operating financial accounting system can result in inaccurate, incomplete and untimely financial reporting.

Recommendation: The City should perform a comprehensive review of its financial accounting system, and should note the deficiencies in the system that impair the City's ability to provide complete, accurate, and timely financial reporting. The City then should devote the time and the resources necessary to correct these deficiencies.

Finding 04-04 Grant Writing and Grant Administration Contract

Condition and Criteria: In 2003, the City entered into a contract with JaLi'Ve Enterprises, LLC ("JaLi'Ve") for grant writing and grant administration services. JaLi'Ve is compensated in accordance with the terms of the contract as follows:

- A monthly retainer in the amount of \$1,600; and
- For each grant funded and administered by JaLi'Ve, the administrative compensation per the grant award or a percent (not to exceed ten percent) of the total grant award.

During 2004, JaLi'Ve received compensation of \$28,200 from the City as follows: (i) \$19,200 in retainer fees, and (ii) \$9,000 in fees for administering the City's Housing Preservation Grant. JaLi'Ve invoices the City for its retainer fees and for its grant administration fees. It was noted that the monthly invoices for the retainer fees detail the types of services performed by JaLi'Ve but do not indicate the number of hours and the hourly rate of pay for such services. Furthermore, several of the invoices for retainer fees included administrative services for the Housing Preservation Grant as one of the services provided for those months. As noted above, the City paid JaLi'Ve \$9,000 for administering the Housing Preservation Grant.

Expenditures for services should be supported by invoices that contain sufficient detail that can enable management to make a determination as to whether the amount being paid for such services is reasonable and customary. Such detail should include the name of the individual(s) who provided each service, the individual's hourly rate for the service, the number of hours spent performing the service, and the day the service was performed.

Cause: Unknown.

Effect: Without adequate detail in the monthly retainer invoices, the City is unable to determine if it is receiving the level of service for which it is paying. Also, it appears that a portion of the payments to JaLi'Ve for administering the Housing Preservation Grant was duplicated through the payment of the monthly retainers.

Recommendation: The City should consider requesting detailed invoices from JaLi'Ve for the services provided to the City and should make a determination as to the reasonableness of the cost of the services. If it is determined that the cost for the services is unreasonable, then the City should seek reimbursement for the portion of the costs deemed to be excessive and should consider terminating or restructuring its agreement with JaLi'Ve. Also, the City should seek reimbursement for the portion of the monthly retainers deemed to be attributable to the Housing Preservation Grant and should more closely review its invoices to prevent from paying for the same service more than once. In addition, if the City needs assistance in administering its grants, the City should consider obtaining quotes from several

Schedule 1 (Continued)

consultants. The City then should weigh the cost of using a consultant for these services against the cost of hiring an individual to perform these services.

Finding 04-05 Article VII, Section 14 of The Louisiana Constitution

Condition and Criteria: Article VII, Section 14 of the Louisiana Constitution prohibits the City from donating funds or things of value to any person, association, or corporation, public or private. During the course of our audit, we noted that the City had used City employees and City-owned equipment to provide ground maintenance for the DeSoto Multicultural Center (the "Center"), which is owned by the DeSoto Parish School Board. The DeSoto Parish School Board leases the Multicultural Center to the DeSoto High School Alumni Association (the "Alumni Association"), a local nonprofit organization. Prior to July 27, 2004, under the terms of a verbal agreement, the DeSoto High School Alumni Association had been providing recreational activities at the Center for the youth of the City of Mansfield. In return for such services, the City had been maintaining the grounds at the Center. On July 27, 2004, the City entered into a formal cooperative agreement with the Alumni Association that detailed the verbal understanding the Alumni Association and the City had been operating under.

The use of the City's employees and equipment for grounds maintenance during the time the City and the Alumni Association operated under their verbal agreement may be deemed to be a donation under Article VII, Section 14 of the Louisiana Constitution and, thus, may violate the Constitution.

Cause: The Mayor was not aware that providing this type of service to nonprofit organizations is a violation of the Constitution.

Effect: Unknown.

Recommendation: The City should discontinue the practice of utilizing City employees and City-owned equipment for the purpose of benefiting other entities, unless the City has entered into an appropriate cooperative endeavor agreement with such entities.

CITY OF MANSFIELD
Mansfield, Louisiana

Schedule of Prior Audit Findings
For the Years Ended December 31, 2004

The status of the audit findings reported in the audit for the year ended December 31, 2003, is summarized below:

Finding 03-01

Condition Found: The city's financial accounting system fails to provide complete and accurate output consistent with objectives and current needs because of design flaws and the failure to perform necessary tasks.

Status: Unresolved see finding 04-03.

Finding 03-02

Condition Found: Police tickets and citations are not accounted for in numerical sequence. Tickets are not being traced from issuance to final disposition. Bond monies are held as cash in the City's vault until the fine is paid or community service is completed.

Status: Resolved

Finding 03-03

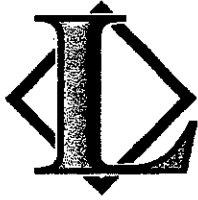
Condition Found: The City of Mansfield, Louisiana, violated LSA-RS 39:1311 budgetary authority and control. The City was more than five percent over budget within certain expense groups in the General Fund.

Status: Resolved

Finding 03-04

Condition Found: There are 47 checks issued before 2003 and another 27 issued before September 30, 2003 that have not cleared the Community Bank clearing account as of December 31, 2003. The amount of these checks total approximately \$5,000.

Status: Resolved



LITTLE & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

June 24, 2005

To the Members of the City Council of
the City of Mansfield
Mansfield, Louisiana

In planning and performing our audit of the financial statements of the City of Mansfield as of and for the year ended December 31, 2004, we considered the City of Mansfield's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on internal control. In addition, we performed tests of compliance with certain laws, regulations, contracts, and grant agreements.

During our audit we became aware of certain matters that we believe need to be discussed further with management. The memorandum that accompanies this letter summarizes our comments regarding those matters. We reported on the City of Mansfield's compliance and internal control over financial reporting in our report dated June 24, 2005. This letter does not affect our report dated June 24, 2005, on the financial statements of City of Mansfield.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various members of management, and we will be pleased to discuss them in further detail at your convenience, or to perform an additional study of this matter.

Sincerely,

LITTLE & ASSOCIATES, LLC
Certified Public Accountants

Little & Associates, LLC

MANAGEMENT LETTER COMMENTS

ML 04-01 Markings on City Vehicles

In accordance with Louisiana Revised Statute 49:121, in general, the name of the city should be inscribed, painted, decaled, or stenciled on city-owned vehicles or an insignia including the name of the city should be placed on such vehicles. In addition, LRS 49:121 provides for an exemption from the "marking" requirements for city-owned vehicles utilized in crime prevention and detection and similar investigative work. It was noted during the audit that the Mayor's official city vehicle did not contain the appropriate lettering and/or insignia identifying the vehicle as a City of Mansfield vehicle. Upon inquiry of the Mayor, the Mayor indicated that his city vehicle is equipped with police equipment and is occasionally utilized by detectives during undercover operations. As such, the Mayor is of the opinion that the vehicle meets the exemption noted above.

Since it is not clear as to the application of the law relevant to the Mayor's vehicle, we recommend that the City of Mansfield request an Attorney General's Opinion regarding this matter.

CITY OF MANSFIELD AUDIT RESPONSE

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 04-01 Compliance with Public Bid Law

1. As stated, the City obtained written quotes for the purchase of the computer software and selected the lowest quote; which was understood to be the allowable method to purchase this new accounting system. The Accountant has obtained and reviewed "The Legislative Auditor's Summary and Review of Public Lease and Public Bid Law", issued by the State of Louisiana, Legislative Auditor's Office, and distributed to Administration. The information shown in this document concerning the way to outline the information that is required in requesting quotes is more detail than information that we previously had on the Public Bid Law requirements relative to obtaining quotes. Also as stated, the City did choose the lowest quote submitted for this purchase. We will utilize the new information obtained, from the Legislative Auditor's Office for future purchases, when soliciting quotes.

Finding 04-02 Payroll Expenditures and Records

1. Future pay raises will not be entered into the payroll system until the Mayor has completed all paperwork involved in issuing the pay raise.
2. The intent of this pay raise all along was for it to be in the employees' first check in January of 2005. The two week pay period for which the first check in January was issued, began at the end of December 2004. It was an oversight that the pay increase sheets were stated to have an effective date of January 1, 2005 and not dated for the first day of the pay period affecting the first pay check in January, 2005. This gave the appearance that the pay raise was retroactive along with the fact that these raise information sheets were signed off on after the pay period started. Please note that the City Council had given authorization for these pay raises at the end of 2004.
3. Whereas the majority of the time and attendance reports are always signed off on by department heads, some were not. These payroll sheets are however, turned in to administration thru the department heads. The department heads will approve and sign each and every time and attendance reports for all employees under their supervision. After they are turned in, these sheets are then reviewed by the Accountant in the Mayor's office and returned for corrections or signatures. We now have a new accountant and some sheets from the beginning of the 2004 year, when she was not here, may have been overlooked; however we will add an additional level for a signature by the Mayor's office administration. Similar to the previous statement, most employees have always signed their time and attendance reports, prior to receiving their payroll checks. Now all do, because of the method now, as handed by our new Accountant. Checks will not be issued to the recipient until the employee and his/her supervisor have signed the time and attendance report for the pay period.

Finding 04-03 Financial Accounting System

1. The Accountant will ensure that all checks are utilized in the proper numerical sequence.
2. An additional copy of all backup documentation for general journal entries will be kept in date order in a separate folder and labeled as such. A unique control number will be used for each journal entry that is made and will be noted on the accompanying documentation for that specific journal entry. Previously, entries in the manual ledger were marked with a check mark when they were posted into the computer. Effective immediately all manual journal entries will be stamped with the word "ENTERED" and the date as they are entered into the computer system.
3. The Accountant will ensure that all adjusting entries prepared by the Certified Public Accountants will be posted to the general journal when they are received.
4. The City has reviewed its financial accounting system and corrected some of the deficiencies in the system as mentioned in our last audit. We purchased a new accounting system during last year, which you are aware is being installed; that we hope will help to improve all matters. The items that are now being pointed out for improvement will also be addressed.
5. The City will do the best that we can, with our limited staff size, to have one person exercise oversight of the overall accounting operations functions that affects our accounting system throughout the City.

Finding 04-04 Grant Writing and Grant Administration Contract

1. The City will require that JaLi'Ve provide detailed monthly retainer invoices to the City. As stated, the contract with this company involves a retainer to do research and support services, and an agreement to pay the administrative cost for administering grants that are secured by their efforts. These administrative costs, comes as a part of, and is funded by the grant acquired, itself. The retainer invoices were worded in a manner that has not spelled out the explicit details of each task completed that month, and the amount of time spent on each task. This is a good recommendation and this additional information will be requested; however this was not stated as a contract requirement to submit the monthly retainer invoice that has a set retainer price; as is common with retainers. The company meets with the Mayor to review efforts and get new assignments on a monthly base; therefore the City is aware of the services that are rendered.

Finding 04-05 Article VII, Section 14 of the Louisiana Constitution

1. The City of Mansfield entered a verbal agreement with the DeSoto Multicultural Center Dixie League Baseball organization, many, many years ago to mutually support recreation for the Citizens of Mansfield. The documentation for these recreational efforts have been audited each year for several years, by several Audit Firms and this was not revealed to be a problem. This administration has continued that agreement that was start before this administration, having clarity from our City Attorney. We were assured that a verbal agreement was sufficient as we entered this agreement with each party playing its

part to provide recreation for the City of Mansfield. The City agreed to clear the property so that recreation could take place; not to clear the property for the functions of the DeSoto High School Alumni Assoc. or the Multicultural Center. Please make us aware of the information that was gathered during the course of the audit, in our records that you audited that made you note this finding. As you are aware, you were given clarity at the exit conference that the Cooperative Endeavor Agreement with the DeSoto High School Alumni was the one for this situation.

The City was acting on the City Attorney's advise on this matter; but will now always enter Mutual Endeavor Agreements when cooperating with any City Entity in any areas where we share an agreement for each to do our individual parts in operating a City recreation (or other type) program. Please let us know when this type of agreement changed from being allowable thru a verbal agreement, because this ground maintenance is at the location of a recreation program, was not a donation to maintain their ground for their purposes.

**CITY OF MANSFIELD
MANAGEMENT LETTER REPSONSE**

ML 04-01 No Identification on City Vehicle

1. The City will request an opinion from the Attorney General's Office on this matter.